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US Strategy for Lowering Oil Prices

1. There is either no clear-cut US strategy for lowering oil prices or this strategy is being closely held by the Secretary of State. The most interesting of the responses I have received to the question of what this strategy might be is, "I don't know. You will have to get that from Henry. And you should, for he won't know what the answer is until he tells you."

2. To the extent the events of Monday mark a shift of US policy, the shift is a result of the personal intervention of the Secretary of State. There was a major change in the tone of the President's Detroit speech made at the last moment. The first draft was considerably less forthright. Secretary Simon was consulted on this matter but does not appear to have played a major role. He is soon to be replaced by Secretary of the Interior Morton as Chairman of the Energy Council. It would appear there has been a bit of horsetrading at very high levels. Simon has been "given" increased authority over domestic economic policy and has relinquished some of his role in the field of international oil policy.

3. To the extent there is a US strategy for lowering oil prices, it has three elements: (1) reduce oil consumption (2) give a major push to Project Independence (3) employ the (threat to change) "the special relationship" with Iran and Saudi Arabia as a bargaining device.

4. Although there is no formal agenda to the "Big Five" meeting at Camp David this weekend, the U.S. will take the lead in urging a joint and strong approach to reducing oil consumption. This will take the form of urging the adoption of consumption ceilings and/or quotas for reduction of consumption. How to achieve this is to be a matter for individual decision.

5. The U.S. will also urge at the Camp David meeting that the major consuming nations play a very low-key game in trying to get the OPEC nations to play a major role in dealing with the "recycling" problem. The objective is to be "cooperation among the major consuming nations" rather than "cooperation between producers and consumers." The point here is that an attempt to generate producer-consumer cooperation at this time would necessarily involve the confirmation of the gains achieved by the OPEC nations over the past year. The producers feel themselves in too strong a position for there to be a satisfactory outcome to a producer-consumer dialogue at this time. We should therefore focus on "our" (meaning something like the OECD I suppose) recycling problem rather than the world recycling problem. The major nations should

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